

American Montessori Academy

Livonia, Michigan

Audited Financial Statements

June 30, 2008

CROSKEY, LANNI & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

CONTENTS

	<u>Page</u>
Independent Auditor's Report	i - ii
Management's Discussion and Analysis	iii - viii
Basic Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Combined Balance Sheet - All Fund Types	3
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities	4
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	6
Statement of Fiduciary Net Assets	7
Notes to Financial Statements	8 - 18
Supplemental Information	
Independent Auditor's Report on Supplemental Information	19
Budgetary Comparison Schedule - Governmental Funds	20
Schedule of Revenues - Governmental Funds	21
Schedule of Expenditures - Governmental Funds	22 - 24
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25 - 26



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of American Montessori Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of American Montessori Academy, as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements listed in the table of contents. These financial statements are the responsibility of American Montessori Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of American Montessori Academy as of June 30, 2008, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2008 on our consideration of American Montessori Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through viii, and 20, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The introductory and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise American Montessori Academy's basic financial statements. The introductory section, combining and individual non major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Croskey, Lanni & Company, P.C.

August 28, 2008
Rochester, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of American Montessori Academy's (Academy) annual financial report presents our discussion and analysis of the public school academy's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Financial Highlights

- The Academy's fund balance increased by \$244,003.
- Enrollment at the Academy was 293.
- The Academy purchased its building in December 2007.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Academy.

The first two statements are Academy-wide financial statements that provide both short-term and long-term information about the Academy's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the Academy, reporting the Academy's operations in more detail than the academy-wide statements.

The governmental funds statements tell how basic services like regular education were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy's budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

Figure A-1 Organization of American Montessori Academy Annual Financial Report

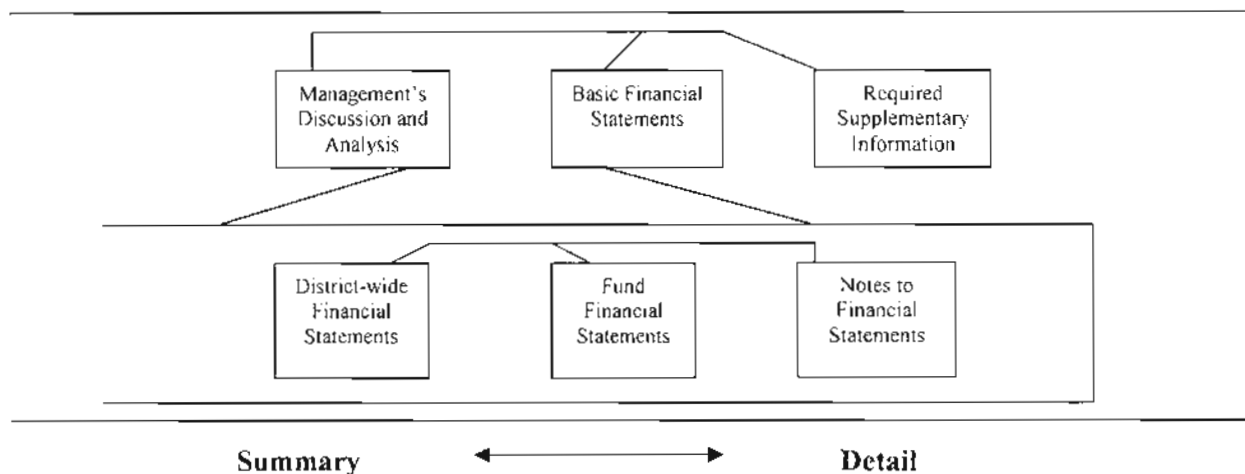


Figure A-2 summarized the major features of the academy’s financial statements, including the portion of the academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A – 2 Major Features of the Academy-Wide and Fund Financial Statements

	Academy-wide statements	Fund Financial Statements
		Governmental funds
Scope	Entire academy (except fiduciary funds)	All activities of the academy that are not fiduciary
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

Academy-Wide Statements

The Academy-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Academy’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Academy-wide statements report the Academy’s net assets and how they have changed. Net assets – the difference between the Academy’s assets and liabilities, are one way to measure the academy’s financial health or position.

- Over time, increases or decreases in the Academy’s net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the academy’s enrollment, the condition of school buildings and other facilities, and the Academy’s ability to be competitive with other public school academies and area school districts.

Fund Financial Statements

The fund financial statements provide more detailed information about the Academy's funds, focusing on its more significant or "major" funds – not the academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs:

- Governmental activities – The Academy's basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.

The academy has one kind of fund:

- Governmental fund – Most of the Academy's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the academy's programs. Because this information does not encompass the additional long-term focus of the academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

Financial Analysis of the Academy as a Whole

The general fund ending fund balance for the school year was \$327,526.

The total revenues were \$2,570,749. State aid foundation allowance included in revenue from state sources accounts for 88 percent of the Academy's revenue.

The total cost of instruction was \$1,027,182. The total cost of support services were \$1,185,939.

The school acquired its building in December 2007.

**Figure A-3
American Montessori**

	<u>2008</u>	<u>2007</u>
Current assets	\$ 935,585	\$ 439,204
Other assets	286,789	-
Capital assets	<u>3,816,128</u>	<u>252,785</u>
Total assets	<u>5,038,502</u>	<u>691,989</u>
Current liabilities	347,242	424,681
Long Term Liabilities	4,289,508	-
Noncurrent liabilities	<u>-</u>	<u>146,974</u>
Total liabilities	4,636,750	571,655
Net assets:		
Invested in capital assets, net of related debt	(260,957)	188,376
Restricted - Debt service and capital projects	356,308	-
Unrestricted	<u>306,401</u>	<u>(68,042)</u>
Total net assets (deficit)	<u><u>\$ 401,752</u></u>	<u><u>\$ 120,334</u></u>

**Figure A-4
Changes in American Montessori Academy's Net Assets**

	<u>2008</u>	<u>2007</u>
Revenues:		
Program revenues:		
Federal and state categorical grants	\$ 399,057	\$ 317,687
General revenues:		
State aid - unrestricted	2,205,955	2,013,355
Investment	-	10,622
Charges for services	57,629	57,635
Other	<u>13,675</u>	<u>19,562</u>
Total revenues	<u>2,676,316</u>	<u>2,418,861</u>
Expenses:		
Instruction	1,027,182	952,533
Support services	1,067,323	1,260,376
Community services	17,856	24,139
Unallocated depreciation	103,745	44,976
Unallocated amortization	4,861	-
Unallocated interest	<u>173,931</u>	<u>76,972</u>
Total expenses	<u>2,394,898</u>	<u>2,358,996</u>
Change in net assets	<u><u>\$ 281,418</u></u>	<u><u>\$ 59,865</u></u>

General Fund Budgetary Highlights

Over the course of the year, the Academy revised the annual operating budget two times. These budget amendments fall into several categories:

Changes were made in the second and fourth quarters to account for building purchase, student enrollment counts, federal funds, and changes in assumptions (e.g. staffing changes, instructional, transportation, community services) since the original budget was adopted.

While the Academy's final budget for the general fund anticipated expenditures would exceed revenue by \$110,061 the actual results for the year showed revenue over expenditures by \$244,003.

Capital Asset and Debt Administration

Capital Assets

By the end of the year ended June 30, 2008, the Academy had invested \$4,061,022 in capital assets consisting primarily of its building, computers, software, furniture and fixtures. Total accumulated depreciation was \$244,894.

The Academy's capital assets are as follows:

Figure A-5			
American Montessori Academy's Capital Assets			
	Cost	Accumulated Depreciation	2008 Net Book Value
Land	\$ 360,000	\$ -	\$ 360,000
Computer equipment	53,020	40,649	12,371
Furniture and fixtures	368,031	153,650	214,381
Building and improvements	3,279,971	50,595	3,229,376
Total	<u>\$ 4,061,022</u>	<u>\$ 244,894</u>	<u>\$ 3,816,128</u>

Capital Lease Obligation

The Academy paid \$67,317 for capital lease obligations during the 2007/2008 school year.

Long-Term Debt

At year end the Academy had \$4,363,874 in capital leases and COP's.

Figure A-6		
American Montessori Academy's Outstanding Long-term Debt		
	2008	2007
Capital leases	\$ 146,974	\$ 214,291
Certificate of participation	<u>4,216,900</u>	<u>-</u>
Total	<u>\$ 4,363,874</u>	<u>\$ 214,291</u>

Factors Bearing on the Academy's Future

The Academy purchased it's building in December 2007. This will result in a large savings to the school.

Enrollment has remained stable for the 2008-2009 school year with an anticipated enrollment of 295-300 students.

The Academy has a waiting list for the primary grades.

Contacting the Academy's Financial Management

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the academy's office at 14800 Middlebelt Road, Livonia MI 48154

AMERICAN MONTESSORI ACADEMY

STATEMENT OF NET ASSETS

JUNE 30, 2008

See Independent Auditor's Report

ASSETS

Current Assets

Cash and cash equivalents	\$ 84,760
Investments	356,308
Due from other governmental units	485,414
Prepaid expenses	9,103
Total current assets	935,585

Facilities, Furniture and Equipment

At cost less accumulated depreciation of \$244,894	3,816,128
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Other Assets

At cost less accumulated amortization of \$4,861	286,789
Total assets	<u>\$ 5,038,502</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 155,912
Notes payable	82,603
Other accrued expenses	34,361
Long-term debt and capital leases - current portion	74,366
Total current liabilities	347,242

Long-Term Debt and Capital Leases - Long-Term Portion	4,289,508
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Net Assets

Invested in capital assets net of related debt	(260,957)
Restricted for capital projects	5,468
Restricted for debt service	350,840
Unrestricted	306,401
Total net assets	401,752
Total liabilities and net assets	<u>\$ 5,038,502</u>

See accompanying notes to financial statements



AMERICAN MONTESSORI ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008 See Independent Auditor's Report

Functions	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants	Government Type Activities
Elementary school	\$ 868,603	\$ -	\$ 240,478	\$ (628,125)
Special education	128,314	-	128,314	-
Compensatory education	30,265	-	30,265	-
Student support services	80,297	-	-	(80,297)
Staff support services	50,531	-	-	(50,531)
General administration	32,991	-	-	(32,991)
Executive administration	310,423	-	-	(310,423)
Building administration	233,796	-	-	(233,796)
Business support services	35,776	-	-	(35,776)
Operations and maintenance	310,718	-	-	(310,718)
Central support services	12,791	-	-	(12,791)
Custody and care of children	17,856	52,642	-	34,786
Unallocated depreciation	103,745	-	-	(103,745)
Unallocated amortization	4,861	-	-	(4,861)
Unallocated interest	173,931	4,987	-	(168,944)
Total primary government	<u>\$ 2,394,898</u>	<u>\$ 57,629</u>	<u>\$ 399,057</u>	<u>(1,938,212)</u>
General Purpose Revenues:				
State school aid - unrestricted				2,205,955
Miscellaneous				<u>13,675</u>
Total general purpose revenues				<u>2,219,630</u>
Excess of revenues over expenses				281,418
Net assets - July 1, 2007				<u>120,334</u>
Net assets - June 30, 2008				<u>\$ 401,752</u>

See accompanying notes to financial statements

AMERICAN MONTESSORI ACADEMY

COMBINED BALANCE SHEET - ALL FUND TYPES

JUNE 30, 2008

See Independent Auditor's Report

ASSETS

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Cash and cash equivalents	\$ 84,760	\$ -	\$ -
Investments	-	350,840	5,468
Due from other governmental units	485,414	-	-
Prepaid expenses	9,103	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 579,277</u>	<u>\$ 350,840</u>	<u>\$ 5,468</u>

LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable	\$ 155,912	\$ -	\$ -
Notes payable	82,603	-	-
Other accrued expenses	13,236	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	251,751	-	-

Fund Balance

Designated for debt service	-	350,840	-
Designated for capital projects	-	-	5,468
Unreserved:			
Undesignated	327,526	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 579,277</u>	<u>\$ 350,840</u>	<u>\$ 5,468</u>

See accompanying notes to financial statements

AMERICAN MONTESSORI ACADEMY

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS
OF GOVERNMENTAL ACTIVITIES**

JUNE 30, 2008

See Independent Auditor's Report

Amounts reported for governmental activities in the statement of net assets are different because:

Total Governmental Fund Balances	\$ 683,834
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$4,061,022 and the accumulated depreciation is \$244,894.	3,816,128
Intangible assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the asset is \$291,650 and the accumulated amortization is \$4,861.	286,789
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(21,125)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(4,363,874)</u>
Net Assets of Governmental Activities	<u>\$ 401,752</u>

AMERICAN MONTESSORI ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenues			
Local sources	\$ 68,199	\$ 4,987	\$ 118
State sources	2,271,985	-	-
Federal sources	230,565	-	-
Total governmental fund revenues	<u>2,570,749</u>	<u>4,987</u>	<u>118</u>
Expenditures			
Elementary school	868,603	-	-
Special education	128,314	-	-
Compensatory education	30,265	-	-
Student support services	80,297	-	-
Staff support services	50,531	-	-
General administration	32,991	-	291,650
Executive administration	310,423	-	-
Building administration	233,796	-	-
Business support services	28,100	4,676	3,000
Operations and maintenance	310,718	-	-
Central support services	12,791	-	-
Custody and care of children	17,856	-	-
Capital outlay	67,087	-	3,600,000
Debt principal and interest	108,436	113,371	-
Total governmental fund expenditures	<u>2,280,208</u>	<u>118,047</u>	<u>3,894,650.00</u>
Excess (deficiency) of revenues over expenditures	290,541	(113,060)	(3,894,532)
Other Financing Sources (Uses)			
Payment from intermediate school district	100,462	-	-
Proceeds from long-term debt	-	316,900	3,900,000
Operating transfers in	-	147,000	-
Operating transfers out	(147,000)	-	-
Total other financing sources (uses)	<u>(46,538)</u>	<u>463,900</u>	<u>3,900,000</u>
Excess of revenues and other financing sources over expenditures and other uses	244,003	350,840	5,468
Fund balance - July 1, 2007	<u>83,523</u>	<u>-</u>	<u>-</u>
Fund balance - June 30, 2008	<u>\$ 327,526</u>	<u>\$ 350,840</u>	<u>\$ 5,468</u>

See accompanying notes to financial statements

AMERICAN MONTESSORI ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008 See Independent Auditor's Report

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$	600,311
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 3,667,087	
Depreciation expense	<u>(103,745)</u>	3,563,342

Governmental funds report loan issuance costs as expenditures. However, in the statement of activities, loan issuance costs are capitalized and the cost is allocated over their estimated useful lives and reported as amortization expense. This is the amount by which intangible costs exceeded amortization in the current period.

Intangible asset	\$ 291,650	
Amortization expense	<u>(4,861)</u>	286,789

The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Proceeds from issuance of long-term debt	\$ (4,216,900)	
Repayment of long-term debt	67,317	
Interest expense	<u>(19,441)</u>	<u>(4,169,024)</u>

Change in Net Assets of Governmental Activities	\$	<u>281,418</u>
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See accompanying notes to financial statements

AMERICAN MONTESSORI ACADEMY

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report**

ASSETS

	<u>Agency</u>
Cash and cash equivalents	<u>\$ 14,123</u>
Total assets	<u><u>\$ 14,123</u></u>

LIABILITIES

Due to student groups	<u>\$ 14,123</u>
Total liabilities	<u><u>\$ 14,123</u></u>

AMERICAN MONTESSORI ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies

The accounting policies of American Montessori Academy (the "Academy") conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

Reporting Entity

American Montessori Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, in February 2004, and began operation in July 2004.

In August 2004, the Academy entered into a eight-year contract with Bay Mills Community College Board of Regents to charter a public school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The College's Board of Regents is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays Bay Mills Community College Board of Regents three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2008 were approximately \$69,100.

In June 2007, the Academy entered into a three-year agreement with CS Partners, "CSP". Under the terms of this agreement, CSP provides a variety of services including management curriculums, educational programs and teacher training. The Academy is obligated to pay CSP eleven percent of its applicable revenues from federal, state, county and local governments. The total paid for these services amounted to approximately \$241,400 for the year ended June 30, 2008.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operation of financial relationships with the public school Academy. Based on application of criteria, the Academy does not contain component units.

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The Academy has designated all of its funds as major.

Basis of Presentation - Fund Accounting

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined basic financial statements in this report, into governmental fund types as follows:

AMERICAN MONTESSORI ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Governmental Funds

A governmental fund is a fund through which most academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

General Fund - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Debt Service Fund - The debt service fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Capital Projects Fund - The capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Fiduciary Fund - The fiduciary fund is used to account for assets held by the Academy in a trustee capacity or as an agent. The agency fund is custodial in nature and does not involve the measurement of results of operations.

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

AMERICAN MONTESSORI ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses, and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self financing or draws from the general revenues of the Academy.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Cash and Cash Equivalents

The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held investments in mutual funds that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

AMERICAN MONTESSORI ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Receivables

Receivables at June 30, 2008 consist primarily of state school aid due from the State of Michigan . All receivables are expected to be fully collected in July and August of 2008 and are considered current for the purposes of these basic financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Academy defines capital assets as those with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	5 - 40 years
Furniture and equipment	7 - 15 years
Computers and software	5 years

Intangible Assets

Loan issuance costs are amortized on the straight-line method over its estimated useful life of thirty years.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

AMERICAN MONTESSORI ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance of amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subject to change.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - Stewardship, Compliance and Accountability

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt a general fund budget. During the year ended June 30, 2008 the budget was amended in a legally permissible manner.

The budget statement (budgetary comparison schedule - governmental funds) is presented on the combined statement of revenue, expenditures, and fund balances. Budget overruns are as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund		
Elementary school	\$ 843,176	\$ 868,603
Executive administration	308,513	310,423
Capital outlay	45,000	67,087
Operating transfers out	146,000	147,000

AMERICAN MONTESSORI ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
Sec Independent Auditor's Report

NOTE 3 - Deposits and Investments

As of June 30, 2008, the Academy had the following investments.

<u>Type</u>	<u>S & P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Cash on hand			\$ 300
Demand deposits			98,583
Total deposits			98,883
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	356,308
Total deposits and investments			\$ 455,191

The above amounts are reported in the financial statements as follows:

Deposits:	
Cash - Fiduciary Fund	\$ 14,123
Cash - Academy Wide	84,760
Subtotal	98,883
Investments:	
Investments - Debt Service	350,840
Investments - Capital Projects	5,468
Subtotal	356,308
Total deposits and investments	\$ 455,191

Interest Rate Risk

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

AMERICAN MONTESSORI ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
 See Independent Auditor's Report

NOTE 3 - Deposits and Investments - Continued

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, the Academy's investments were rated AAAm by Standards & Poor's and Aaa by Moody's Investors Service.

Concentration of Credit Risk

The district will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the Academy's investments are in investment pools which represents 100% of the Academy's total investments.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, all of the Academy's cash was fully insured by Federal deposit insurance.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign Currency Risk

The Academy is not authorized to invest in investments which have this type of risk.

NOTE 4 - Due From Other Governmental Units

Amounts due from other governmental units at year end consists of the following:

At risk	\$	3,485
Special education		80,137
State aid		401,792
		<hr/>
Total	\$	485,414
		<hr/>

AMERICAN MONTESSORI ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 5 - Prepaid Expenses

Amounts prepaid at year end consist of the following:

Capital lease payments	\$ 7,143
Miscellaneous	<u>1,960</u>
Total	<u>\$ 9,103</u>

NOTE 6 - Accrued Expenses

Amounts accrued at June 30, 2008 consist of the following:

	<u>Net Assets</u>	<u>Funds</u>
Oversight fees	\$ 13,236	\$ 13,236
Interest	<u>21,125</u>	<u>-</u>
Total	<u>\$ 34,361</u>	<u>\$ 13,236</u>

NOTE 7 - Capital Assets

Capital asset activity of the Academy's governmental activities was as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Balance June 30, 2008</u>
Building and improvements	\$ 21,496	\$ 3,258,475	\$ 3,279,971
Land	-	360,000	360,000
Furniture and equipment	319,419	48,612	368,031
Computer equipment	<u>53,020</u>	<u>-</u>	<u>53,020</u>
Subtotal	393,935	3,667,087	4,061,022
Accumulated depreciation	<u>141,149</u>	<u>103,745</u>	<u>244,894</u>
Net book value of assets	<u>\$ 252,786</u>	<u>\$ 3,563,342</u>	<u>\$ 3,816,128</u>
Loan issuance costs	\$ -	\$ 291,650	\$ 291,650
Accumulated amortization	<u>-</u>	<u>4,861</u>	<u>4,861</u>
Net loan issuance costs	<u>\$ -</u>	<u>\$ 286,789</u>	<u>\$ 286,789</u>

Depreciation and amortization expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

AMERICAN MONTESSORI ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 8 - Note Payable

The Academy has obtained a business loan through an unrelated third party in the amount of \$720,000. The loan was issued to provide the Academy with funds to finance school operation at the beginning of the school year. The loan is payable \$82,208 per month, including interest at 4.75% through June 2008. Security for this loan is provided through future school state aid payments.

NOTE 9 - Long-Term Obligation Payable

The following is a summary of long-term obligations for the Academy for the year ended June 30, 2008:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Retirements & Payments</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
Capital lease 1	\$ 98,771	\$ -	\$ 29,705	\$ 69,066	\$ 32,815
Capital lease 2	25,872	-	12,292	13,580	13,580
Capital lease 3	55,168	-	15,581	39,587	17,213
Capital lease 4	34,480	-	9,739	24,741	10,758
Revenue bonds	-	4,216,900	-	4,216,900	-
Totals	<u>\$ 214,291</u>	<u>\$ 4,216,900</u>	<u>\$ 67,317</u>	<u>\$ 4,363,874</u>	<u>\$ 74,366</u>

The Academy has issued Limited Obligation Revenue Bonds bearing interest at an average rate of 6.5% through the year ended June 30, 2038. The obligations require semi-annual interest payments due on December 1st and June 1st and an annual payment of principal due on December 1st beginning in 2012. The bonds are collateralized by a mortgage on the Academy's facility as well as a pledge for 20% of State School Aid payments and funds held in trust for debt service.

Following are maturities of long-term obligations principal and interest for each of the next five years and in total:

	<u>Principal</u>	<u>Interest</u>
2009	\$ 74,366	\$ 264,850
2010	67,151	257,738
2011	5,457	253,568
2012	-	253,500
2013	60,000	251,550
2014 - 2018	375,000	1,190,313
2019 - 2023	510,000	1,047,475
2024 - 2028	695,000	853,288
2029 - 2033	955,000	586,463
2034 - 2038	1,621,900	222,463

The Academy is the lessee of various classroom and office equipment held under capital lease agreements. The leases are collateralized by the equipment, bear interest various rates up to 10% and expire during the year ending June 30, 2011.

AMERICAN MONTESSORI ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 9 - Long-term Obligations Payable - Continued

Minimum future lease agreements under capital leases as of June 30, 2008 for each of the next three years:

2009	\$ 85,716
2010	71,389
2011	<u>5,525</u>
Subtotal	162,630
Less amount representing interest	<u>15,656</u>
Present value of minimum lease payments	<u>\$ 146,974</u>

NOTE 10 - Retirement Plan

All leased employees of the Academy are eligible to participate in a retirement plan established by CSP which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The Academy, under this plan, will contribute 4% of salaries regardless of the amount the employee contributes. The Academy will additionally match up to 4% of employee contributed funds. Eligible employees may contribute up to 15% of their salaries under the terms of this plan. Total Academy contributions to the plan amounted to approximately \$27,000 for the year ended June 30, 2008.

NOTE 11 - Interfund Transfers

During the normal course of the school year the Academy transferred amounts between its two major funds as follows:

	<u>General</u>	<u>Debt Service</u>
Transfers In	\$ -	\$ 147,000
Transfers Out	147,000	-

As stipulated by the Academy's Limited Obligation Revenue Bonds as described in Note 9, the Academy must transfer 20% of each state aid payment to a trustee. The trustee retains the required portion needed for debt service and returns the remainder to the Academy. This accounts for the all activity in the Academy's interfund transfer account.

NOTE 12 - Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

AMERICAN MONTESSORI ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report

NOTE 13 - Related Party Transactions

During the normal course of business the Academy contracted with a related party for insurance coverage. The president of the contracted entity is also the President of the Academy's Board of Directors. The Academy paid this related party approximately \$15,100 during the year ended June 30, 2008.

David M. Croskey, CPA
Thomas B. Lanni, CPA
Carolyn A. Jones, CPA
Clifton F. Powell Jr., CPA

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

**To the Board of Directors
of American Montessori Academy**

We have audited the accompanying financial statements of American Montessori Academy for the year ended June 30, 2008. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not required as part of the financial statements of American Montessori Academy. This information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.


Croskey, Lanni & Company, P.C.

August 28, 2008
Rochester, Michigan

AMERICAN MONTESSORI ACADEMY

REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	Original Budget	General Final Budget	Actual
Revenues			
Local sources	\$ 91,536	\$ 93,690	\$ 68,199
State sources	2,212,723	2,259,939	2,271,985
Federal sources	225,929	218,012	230,565
Total governmental fund revenues	2,530,188	2,571,641	2,570,749
Expenditures			
Elementary school	730,119	843,176	868,603
Special education	50,745	152,310	128,314
Compensatory education	25,310	35,713	30,265
Student support services	40,000	85,760	80,297
Staff support services	34,360	55,140	50,531
General administration	44,000	38,500	32,991
Executive administration	306,025	308,513	310,423
Building administration	222,890	240,689	233,796
Business support services	61,850	31,100	28,100
Operations and maintenance	504,000	346,500	310,718
Central support services	6,000	16,400	12,791
Custody and care of children	24,818	26,377	17,856
Capital outlay	121,101	45,000	67,087
Debt principal and interest	140,717	125,717	108,436
Total governmental fund expenditures	2,311,935	2,350,895	2,280,208
Excess (deficiency) of revenues over expenditures	218,253	220,746	290,541
Other Financing Sources (Uses)			
Payment from intermediate school district	4,000	35,315	100,462
Proceeds from long-term debt	-	-	-
Operating transfers in	-	-	-
Operating transfers out	-	(146,000)	(147,000)
Total other financing sources (uses)	4,000	(110,685)	(46,538)
Excess of revenues and other financing sources over expenditures and other uses	222,253	110,061	244,003
Fund balance - July 1, 2007	83,523	83,523	83,523
Fund balance - June 30, 2008	\$ 305,776	\$ 193,584	\$ 327,526

Debt Service			Capital Projects		
Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
\$ -	\$ -	\$ 4,987	\$ -	\$ -	\$ 118
-	-	-	-	-	-
-	-	-	-	-	-
-	-	4,987	-	-	118
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	291,650
-	-	-	-	-	-
-	-	4,676	-	-	3,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	3,600,000
-	-	113,371	-	-	-
-	-	118,047	-	-	3,894,650
-	-	(113,060)	-	-	(3,894,532)
-	-	-	-	-	-
-	-	316,900	-	-	3,900,000
-	-	147,000	-	-	-
-	-	-	-	-	-
-	-	463,900	-	-	3,900,000
-	-	350,840	-	-	5,468
-	-	-	-	-	-
\$ -	\$ -	\$ 350,840	\$ -	\$ -	\$ 5,468

AMERICAN MONTESSORI ACADEMY

SCHEDULE OF REVENUES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	General	Debt Service	Capital Projects
Local Sources			
Custody and care of children	\$ 52,642	\$ -	\$ -
Bay Mills grant	2,000	-	-
Donation	1,906	-	-
Interest income	8,877	4,987	118
Miscellaneous	2,774	-	-
Total local sources	68,199	4,987	118
State Sources			
At risk	19,160	-	-
State aid	2,205,955	-	-
Special education	46,870	-	-
Total state sources	2,271,985	-	-
Federal Sources			
Federal IDEA	59,328	-	-
Charter school grant	147,676	-	-
Title I	18,056	-	-
Title II-A	5,445	-	-
Title V	60	-	-
Total federal sources	230,565	-	-
Total governmental fund revenues	\$ 2,570,749	\$ 4,987	\$ 118

AMERICAN MONTESSORI ACADEMY

SCHEDULE OF EXPENDITURES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	General	Debt Service	Capital Projects
Elementary School			
Purchased services - salaries	\$ 561,558	\$ -	\$ -
Purchased services - benefits	126,143	-	-
Purchased services - payroll taxes	74,342	-	-
Teaching supplies and materials	88,834	-	-
Textbooks	11,870	-	-
Miscellaneous	5,856	-	-
Total elementary school	868,603	-	-
Special Education			
Purchased services - salaries	67,538	-	-
Outside services	57,217	-	-
Teaching supplies and materials	1,964	-	-
Workshops and conferences	1,595	-	-
Total special education	128,314	-	-
Compensatory Education			
Purchased services - salaries	27,209	-	-
Purchased services - benefits	74	-	-
Purchased services - payroll taxes	1,334	-	-
Teaching supplies and materials	1,648	-	-
Total compensatory education	30,265	-	-
Student Support Services			
Psychological services	4,875	-	-
Social work services	41,552	-	-
Speech pathology services	33,870	-	-
Total student support services	80,297	-	-
Staff Support Services			
Improvement of instruction	33,516	-	-
Supplies	65	-	-
Workshops and conferences	16,950	-	-
Total staff support services	50,531	-	-

AMERICAN MONTESSORI ACADEMY

SCHEDULE OF EXPENDITURES - GOVERNMENTAL FUNDS - Continued FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
General Administration			
Advertising	4,907	-	-
Dues and fees	704	-	-
Loan issuance costs	-	-	291,650
Professional services	24,172	-	-
Miscellaneous	3,208	-	-
	<hr/>	<hr/>	<hr/>
Total general administration	32,991	-	291,650
Executive Administration			
Management fees	241,330	-	-
University oversight	69,093	-	-
	<hr/>	<hr/>	<hr/>
Total executive administration	310,423	-	-
Building Administration			
Purchased services - salaries	159,923	-	-
Purchased services - benefits	26,227	-	-
Purchased services - payroll taxes	13,975	-	-
Equipment lease	12,156	-	-
Office supplies	15,093	-	-
Postage	3,214	-	-
Miscellaneous	3,208	-	-
	<hr/>	<hr/>	<hr/>
Total building administration	233,796	-	-
Business Support Services			
Bank fees	4,778	4,676	3,000
Dues and fees	8,260	-	-
Liability insurance	15,062	-	-
	<hr/>	<hr/>	<hr/>
Total business support services	28,100	4,676	3,000

AMERICAN MONTESSORI ACADEMY

SCHEDULE OF EXPENDITURES - GOVERNMENTAL FUNDS - Continued FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Operations and Maintenance			
Outside services	39,652	-	-
Rent	200,000	-	-
Repairs and maintenance	37,003	-	-
Supplies	4,685	-	-
Telephone and internet	4,655	-	-
Utilities	24,723	-	-
	<u>310,718</u>		
Total operations and maintenance	310,718	-	-
Central Support Services			
Pupil accounting services	370	-	-
Staff services	4,035	-	-
Technology services	8,386	-	-
	<u>12,791</u>		
Total central support services	12,791	-	-
Custody and Care of Children			
Purchases services - salaries	15,300	-	-
Purchased services - payroll taxes	1,705	-	-
Supplies	792	-	-
Miscellaneous	59	-	-
	<u>17,856</u>		
Total custody and care of children	17,856	-	-
Capital Outlay	67,087	-	3,600,000
Debt Principal and Interest	<u>108,436</u>	<u>113,371</u>	<u>-</u>
 Total governmental fund expenditures	 <u>\$ 2,280,208</u>	 <u>\$ 118,047</u>	 <u>\$ 3,894,650</u>

David M. Croskey, CPA
Thomas B. Lanni, CPA
Carolyn A. Jones, CPA
Clifton E. Powell Jr., CPA

Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*

**To the Board of Directors
of American Montessori Academy**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of American Montessori Academy as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated August 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered American Montessori Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of American Montessori Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of American Montessori Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control.

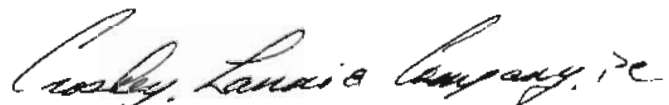
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Academy's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether American Montessori Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board of directors, the Michigan Department of Education, and others within the entity and is not intended to be and should not be used by anyone other than those specified parties.


Croskey, Lanni & Company, P.C.

August 28, 2008
Rochester, Michigan



Croskey, Lanni & Company, PC
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October 29, 2008

American Montessori Academy
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To whom it may concern:

Please be advised that there was not a separate management comment letter that was provided in connection with the audit of the financial statements for the year ended June 30, 2008.

Very truly yours,
Croskey, Lanni & Company, P.C.

Patrick M. Sweeney, C.P.A.